

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL****FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:

0 0 1 6

2. STATE:

Texas

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

September 1, 2000

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.201b

7. FEDERAL BUDGET IMPACT: See Attachment

a. FFY 2000 \$ 5,601.74

b. FFY 2001 \$ 66,358.03

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

See Attachment

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

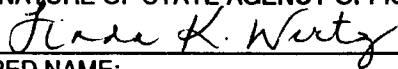
See Attachment

10. SUBJECT OF AMENDMENT: This amendment establishes procedures for Day Activity and Health
Services providers to obtain enhanced rates for attendant compensation.

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED:Sent to Governor's Office this date. Comments,
if any, will be forwarded when received.

12. SIGNATURE OF STATE AGENCY OFFICIAL:



13. TYPED NAME:

Linda K. Wertz

14. TITLE:

State Medicaid Director

15. DATE SUBMITTED:

September 26, 2000

16. RETURN TO:

Linda K. Wertz
State Medicaid Director
Health and Human Services Commission
Post Office Box 13247
Austin, Texas 78711**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

09-27-00

18. DATE APPROVED:

December 20, 2000

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

September 1, 2000

20. SIGNATURE OF REGIONAL OFFICIAL:



21. TYPED NAME:

Andrew Fredrickson,
for Calvin G. Cline

22. TITLE:

Acting, Associate Regional Administrator
Division of Medicaid and State Operations

23. REMARKS:

Attachment to HCFA-179 for
Transmittal No. 00-16, Amendment No. 581

Number of the
Plan Section or Attachment

Number of the Superseded
Plan Section or Attachment

Attachment 4.19-B

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15. REIMBURSEMENT METHODOLOGY FOR DAY ACTIVITY AND HEALTH SERVICES

- I. General. The Texas Department of Human Services reimburses Day Activity and Health Services (DAHS) providers for services provided to eligible recipients. Prospective, uniform statewide payment rates are determined for DAHS. Payment rates for attendant compensation are determined prospectively with a retrospective adjustment for failure to meet spending requirements as specified in X (6). Payment rates will be determined for a period of two years.
- II. Authority. The Texas Health and Human Services Commission (HHSC), the Single State Medicaid Agency, has final approval authority of Medicaid payment rates. HHSC determines DAHS Medicaid payment rates after consideration of analysis of financial and statistical information, and the effect of the payment rates on achievement of program objectives, including economic conditions and budgetary considerations.
- III. Pro Forma Costing. When historical costs are unavailable, such as in the case of changes in program requirements, payment rates may be based on a pro forma approach. This approach involves using historical costs of delivering similar services, where appropriate data are available, and determining the types and costs of products and services necessary to deliver services meeting federal and state requirements.
- IV. Adjusting Payment Rates. HHSC may adjust payment rates to compensate for anticipated future changes in laws, rules, regulations, policies, guidelines, economic factors or implementation of federal or state court orders or settlement agreements.
- V. Cost Reports. In order to ensure adequate financial and statistical information upon which to base payment rates, each contracted provider is required to submit an annual cost report and, if necessary, a supplemental report(s). It is the responsibility of the provider to submit accurate and complete information, in accordance with all pertinent cost report rules and cost report instructions.
- VI. Audits and Desk Reviews. Desk reviews and field audits are performed on provider cost reports in order to ensure that the financial and statistical information reported in the cost reports conforms to all applicable rules and instructions.
- VII. Informal reviews and Appeals. A contracted provider may request an informal review, and subsequently an appeal, of a desk review or field audit disallowance.

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VIII. Projected Costs. HHSC determines reasonable methods for projecting each provider's costs to allow for significant changes in cost-related conditions anticipated to occur between the historical cost reporting period and the prospective rate period. Significant changes include, but are not limited to, wage-and-price inflation or deflation, changes in program utilization, modifications of federal or state regulations and statutes, and implementation of federal or state court orders and settlement agreements. HHSC may utilize a general cost inflation index obtained from a reputable independent professional source and, where HHSC deems appropriate and pertinent data are available, develop and/or utilize several item-specific and program-specific inflation indices, as follows.

(1) General Cost Inflation Index. HHSC uses the Personal Consumption Expenditures (PCE) chain-type price index as the general cost inflation index. The PCE is a nationally recognized measure of inflation published by the Bureau of Economic Analysis of the U.S. Department of Commerce. To project or inflate costs from the reporting period to the prospective payment rate period, HHSC uses the lowest feasible PCE forecast consistent with the forecasts of nationally recognized sources available to HHSC at the time proposed payment rates are prepared for public dissemination and comment.

(2) Item-specific and program-specific inflation indices. HHSC may use specific indices in place of the general cost inflation index when appropriate item-specific or program-specific cost indices are available from cost reports or other surveys, other Texas state agencies or independent private sources, or nationally recognized public agencies or independent private firms, and HHSC has determined that these specific indices are derived from information that adequately represents the program(s) or cost(s) to which the specific index is to be applied. For example, HHSC may use specific indices pertaining to cost items such as payroll taxes, key professional and non-professional staff wages, and other costs subject to specific federal or state limits.

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IX. Payment Rate Determination. HHSC determines payment rates in the following manner.

(1) Cost determination by cost area. Reported allowable costs for DAHS are combined into four cost areas. Payroll taxes are allocated to each salary line item on the cost report on a pro rata basis based on the portion of that salary line item to the amount of total salary expense and employee benefits are applied directly to the corresponding salary line item.

(A) Attendant cost area. This cost area is calculated as specified in X (relating to Attendant Compensation Rate Enhancement).

(B) Other direct care costs. This cost area includes other direct care staff; food and food service costs; activity costs; and other direct service costs.

(C) Facility cost area. This cost area includes building, maintenance staff, and utility costs.

(D) Administration and transportation cost area. This cost area includes transportation, administrative staff, and other administrative costs.

(2) For each of the three cost areas described in IX (1)(B), (C) and (D) the following is calculated:

(A) Projected costs. Allowable expenses are projected, excluding depreciation and mortgage interest, per unit of service from each provider agency's reporting period to the next ensuing payment rate period.

(B) Projected cost per unit of service. To determine the projected cost per unit of service for each contract, the total projected allowable costs for each cost area are divided by total units of service, in order to calculate the projected cost per unit of service for each cost area.

(C) Projected cost arrays. Projected allowable costs per unit of service for each contract are rank ordered from low to high for each cost area.

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(D) Recommended payment rate for each cost area component. The median projected unit of service cost from each cost area is then determined. The median cost component for each of the three cost areas is multiplied by 1.044 to calculate the recommended payment rate for each cost area.

(3) Total recommended payment rate. The recommended payment rate is determined by summing the recommended payment rates described in IX (2) and the cost area component from IX (1)(A).

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X. Attendant Compensation Rate Enhancement.

(1) Attendant compensation cost center. This cost center will include attendant and driver employee salaries and/or wages (including payroll taxes, worker's compensation, or employee benefits), contract labor costs, and personal vehicle mileage reimbursement for attendants.

(2) Rate year. The rate year begins on the first day of September and ends on the last day of August of the following year.

(3) Open enrollment. Each contracted provider must notify HHSC in a manner specified by HHSC of its desire to participate or its desire not to participate in the Attendant Compensation Rate Enhancement and its desired level of participation.

(4) Determination of attendant compensation rate component for nonparticipating contracts. An attendant compensation rate component will be calculated as follows:

(A) Determine for each contract included in the cost report data base used in determination of rates in effect on September 1, 1999, the attendant compensation cost center from X (1).

(B) Adjust the cost center data from X (4)(A) to account for inflation utilizing the inflation factors used in the determination of the September 1, 1999 rates.

(C) For each contract included in the cost report data base used in determination of rates in effect on September 1, 1999, divide the result from X (4)(B) by the units of service to calculate the projected cost per unit of service.

(D) Provider projected costs per unit of service are rank ordered from low to high along with each provider's corresponding units of service. The median projected unit of service cost is then determined. This result is multiplied by 1.044.

(E) The attendant compensation rate component will remain constant over time, except for adjustments necessitated by increases in the minimum wage. In such cases, adjustments to the nonparticipating rates are limited to ensuring that these rates are adequate to cover mandated minimum wage levels.

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(5) Determination of attendant compensation rate component for participating contracts. HHSC will determine attendant compensation rate enhancement increments associated with each enhanced attendant compensation level. The attendant compensation rate enhancement increments will be determined by taking into consideration quality of care, labor market conditions, economic factors, and budget constraints. The attendant compensation rate enhancement increments will be determined on a per-unit-of-service basis applicable to each program or service.

(6) Spending requirements for participating contracts. Participating contracts are subject to a spending requirement with recoupment calculated as follows:

(A) Beginning September 1, 2000, the attendant compensation spending per unit of service will be multiplied by 1.09 to determine the adjusted attendant compensation per unit of service. For the rate year beginning September 1, 2001, and thereafter, the attendant compensation spending per unit of service will be multiplied by 1.07 to determine the adjusted attendant compensation per unit of service.

(B) The adjusted attendant compensation per unit of service from X (6)(A) will be subtracted from the accrued attendant compensation revenue to determine the amount to be recouped. If the adjusted attendant compensation per unit of service is greater than or equal to the attendant compensation revenue per unit of service, there is no recoupment.

(C) The amount paid for attendant compensation per unit of service after adjustments for recoupment must not be less than the amount determined for nonparticipating contracts.

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16. Subject to specifications, conditions, and limitations established by the Single State Agency, payment for ambulatory surgical center facility services will be made on the basis of Medicare established and prospectively determined rates and rules when such services are provided in connection with approved surgical procedures performed in ambulatory surgical center facilities participating in the Medicare Program and in the Texas Medical Assistance Program under this Title XIX State Plan, unless otherwise specified by the Single State Agency. Payment for other services which are covered under the Title XIX State Plan and which are apart from and other than ambulatory surgical center facility services will be made under other provisions of this State Plan, as appropriate to the provider performing the service.

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